

# Challenges 2000

**We will work  
to protect  
and maximize  
the value of  
the Federal  
RESOURCE.**

**—Objective 3  
Industry Goal,  
1999  
Strategic Plan**

## **Western carves out an ambitious future**

**Editor's note: Regional transmission organizations, joint projects with customers and cost containment are just some of the issues facing Western as we roll into 2000. This five-part series examines Western's goals for the new year and the challenges they bring. Our first installment discusses Western's objective of strengthening partnerships with the generating agencies.**

**by Carolyn Hinkley**

**A**t Parker and Davis dams on the lower Colorado River, generating units are showing their age. Placed in service in 1942 and 1951, respectively, they are reaching the end of their service life. Because hydropower from these dams helps serve the electrical needs of 300,000 people in Arizona, California and Nevada, Western cannot afford for these units to fail. Nor can Western allow other vital equipment to fail elsewhere in our vast service territory, given that 72 percent of hydroelectric facilities are more than 30 years old. Yet funding, varied management philosophies and changing maintenance practices stand in our way.

To overcome these obstacles and to protect the value of the Federal resource, Western wants to strengthen its partnerships with the generating agencies—the Bureau of Reclamation and the U.S. Army Corps of Engineers—and other entities that make decisions affecting power production. To achieve this, as it is spelled out in our Industry Goal, managers have two strategies. The first is to ensure Western gets more involved in decisions regarding hydropower genera-

tion. The second is to help Reclamation and the Corps secure alternative funding for power facility operations and maintenance and rehabilitation.

Western has already made strides on the first strategy—involvement in decisionmaking. For example, Western and Reclamation initiated a team in 1997 to increase their understanding of each agency's financial accounting methods and Reclamation is sharing its performance measures regarding the management of Federal hydropower.

The agencies have also started addressing the power function in their annual operating plans. Western, Reclamation and the Corps' senior management will continue to meet periodically to monitor action items to improve their working relationship and power management efficiency and eliminate any barriers to a strong partnership. In 2000, Western would like to continue to forge a stronger partnership with these agencies and other organizations with resource management responsibilities, such as the U.S. Fish and Wildlife Service.

We have also made significant strides with regard to the second strategy—securing alternative funding—but senior managers would like to see it expand even more this year. Alternative financing arrangements, such as advanced funding or bill crediting, are beneficial because they ensure funds are available for critical maintenance, especially in light of diminishing Congressional appropriations.

In 2000, managers plan to build upon alternative financing arrangements already in place throughout Western's regions. For example, two Parker-Davis

**(See next page)**

Project customers entered into an agreement with the Desert Southwest Region to advance a proportionate share of Western's and Reclamation's generation-related expenses. Credits are provided on their power bills.

In the Rocky Mountain Region, Western, Reclamation and Western States Power Corporation entered into an agreement for customer advance funding of capital and operations and maintenance expenses for either Western or Reclamation. This agreement has helped fund several critical maintenance projects, including a transformer replacement at Estes Powerplant.

A critical part of these alternative financing arrangements is customer involvement. During this year,

Western plans to continue negotiating agreements with customers on customer advance funding and establish review groups to give customers oversight of Western's O&M and construction programs. Keeping customers involved in decisions affecting power generation is key to increasing their involvement in these alternative financing arrangements.

Our goal is to promote competition and reliability in the evolving electric utility industry. Our facilities stretch from the Upper Midwest to the West Coast and the southwestern corner of our nation. We are a key player in maintaining the reliability and stability of the nation's electrical transmission system.